

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 EUR-12 EA-10 NEA-10 IO-13 ISO-00
STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
EB-08 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 DOEE-00
/156 W

-----073293 181552Z /64

P 181458Z JUL 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 2228

INFO ALL EC CAPITALS

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUDAPEST

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

AMEMBASSY HELSINKI

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY WARSAW

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USMTN USEEC USOECD

STR FOR ACTION

STR PASS CODEL

E.O. 11652: N/A

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TAGS: MTN, ETRD

SUBJECT: MTN: SUBSIDIES/CVD

REF: (A) GENEVA 10087

1. SUMMARY: INTENSIVE DRAFTING SESSIONS AMONG U.S.,
EC, CANADIAN, JAPANESE, AND NORDIC DELEGATIONS

DURING WEEK OF JULY 3 RESULTED IN OUTLINE OF AN ARRANGEMENT ON SUBSIDIES/COUNTERVAILING MEASURES TO SERVE AS A BASIS FOR FUTURE NEGOTIATIONS. SUBGROUP CONVENED JULY 13 FOR A GENERAL REVIEW OF TEXT, PROVIDING A FORUM FOR DEVELOPING COUNTRIES TO UNDERSCORE THE NEED FOR SPECIAL AND DIFFERENTIAL TREATMENT AND FOR EAST EUROPEAN COUNTRIES TO SEEK "NON-DISCRIMINATORY" TREATMENT OF THEIR EXPORTS. OUTLINE ARRANGEMENT IS NOW SUBJECT TO FULL MULTILATERAL DISCUSSION AND WORK ON LEGAL TEXT AND OUTSTANDING ISSUES TO COMMENCE AFTER DELS HAVE HAD OPPORTUNITY TO STUDY DOCUMENT. END SUMMARY.

2. AFTER FIRST DRAFT OF SUBSIDIES/COUNTERVAILING MEASURES TEXT DEVELOPED (REFTEL) U.S., EC, CANADA, JAPAN, AND NORDIC DELEGATIONS MET THROUGHOUT THE WEEK OF JULY 3 IN INTENSIVE DRAFTING SESSIONS. BY THE END OF THE WEEK, DELS HAD COMPLETED A COMPREHENSIVE "OUTLINE OF AN ARRANGEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES". THE DOCUMENT CONTAINS PROCEDURES FOR NOTIFICATION OF SUBSIDY AND CVD ACTIONS, PROCEDURES FOR IMPOSING CVD'S UNDER GATT ARTICLE VI (WITH INJURY), RULES ON SUBSIDIES INCLUDING REFERENCE TO A LIST OF PROHIBITED EXPORT SUBSIDIES, A SPECIFIC LIST OF INDICATIVE GUIDELINES FOR INTERNAL SUBSIDIES, PROVISIONS ON AGRICULTURAL SUBSIDIES, AND COMPREHENSIVE LIMITED OFFICIAL USE

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DISPUTE MANAGEMENT PROVISIONS. INTRODUCTORY NOTE TO THE OUTLINE ACKNOWLEDGES THAT THE DOCUMENT DOES NOT COMMIT ANY DEL TO ANY PART OF THE TEXT AND ITS CIRCULATION IS WITHOUT PREJUDICE TO RESPECTIVE NEGOTIATING POSITIONS. EC DISSATISFACTION WITH DISPUTE MANAGEMENT PROVISIONS WHICH HAD THREATENED TO BLOCK RELEASE OF DOCUMENT WERE OVERCOME AT MCDONALD/DENMAN LEVEL MEETING. THE DOCUMENT WAS DISTRIBUTED ON JULY 10 (MTN/NTM/W/168) FOR CONSIDERATION OF ALL DELEGATIONS, WITH THE VIEW THAT IT WOULD SERVE AS A BASIS FOR A FINAL, OPERATIONAL TEXT.

3. SUBGROUP MEETING CONVENED ON JULY 13. U.S. DEL (RIVERS) INTRODUCED THE MAIN IDEAS IN THE TEXT AND URGED DELS TO STUDY IT WITH A VIEW TO USING IT AS A BASIS FOR NEGOTIATIONS. U.S. DEL NOTED THAT THERE ARE SOME IMPORTANT ISSUES IN WHICH DIFFERENCES STILL EXIST, BUT EXPRESSED WILLINGNESS TO EXPLORE POSSIBLE AVENUES TO RESOLVE THESE DIFFICULTIES. EC (KLEIN) EXPRESSED PLEASURE AT HAVING A TEXT DISTRIBUTED AND REITERATED EC'S BASIC POSITION THAT DOMESTIC LAWS SHOULD REFLECT CURRENT GATT RULES, THAT RULES

SHOULD CONCENTRATE ON THE EFFECTS OF SUBSIDIES AND THAT COUNTERVAILING DUTIES SHOULD NOT BE GREATER THAN THAT NEEDED TO REMOVE THE INJURY INCURRED. EC NOTED THAT SENSITIVE AREA OF DOMESTIC SUBSIDIES WAS STILL SUBJECT TO DIFFERENCES AND SAID THAT THEY ARE WILLING TO SEEK A SOLUTION IN THIS FIELD AND EXPRESSED OPTIMISM THAT AN OVERALL AGREEMENT COULD BE REACHED. NORDICS (EKBLOM) CHARACTERIZED THE TEXT AS "IMPORTANT STEP FORWARD" IN THE NEGOTIATIONS AND THAT TEXT OFFERS A BASIS FOR WIDER PARTICIPATION IN THE NEGOTIATIONS. CANADA (DENIS) WAS ENCOURAGED BY PROGRESS IN THIS AREA AND SAID THAT PRESENT TEXT COULD BE USED AS A BASIS TO DRAFT A LEGAL INSTRUMENT.

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USMTN, USEEC, USOECD

STR FOR ACTION; STR PASS CODEL

4. CVD AND ANTIDUMPING CODE: IN THE PRIVATE DRAFTING
SESSIONS THE EC CIRCULATED THE FOLLOWING STATEMENT:

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QUOTE:

THE CONDITIONS FOR THE APPLICATION OF COUNTER-
MEASURES (PARTICULARLY THE CRITERIA FOR THE DE-
FINITION OF MATERIAL INJURY AND THE INDUSTRY)
CANNOT BE MORE FLEXIBLE IN THE CASE OF COUNTERVAILING
DUTIES THAN IN THE CASE OF ANTI-DUMPING DUTIES.
SHOULD THE ARRANGEMENT ON COUNTERVAIL/SUBSIDY FINALLY
ENVISAGE LESS RIGID CONDITIONS THAN THOSE CONTAINED
ACTUALLY IN THE ANTI-DUMPING CODE, THE LATTER MUST
BE, IN PARALLEL, SUBJECT TO THE NECESSARY ADAPTIONS.

UNQUOTE.

U.S. TOOK NOTE OF THE STATEMENT AND REITERATED PAST
STATEMENT (REFTEL) ON THIS TOPIC.

5. SPECIAL AND DIFFERENTIAL TREATMENT (S&D): THE
DEVELOPING COUNTRIES THAT SPOKE EXPRESSED APPRECIATION
FOR WORK PUT INTO THE TEXT, BUT LISTED A NUMBER OF
DIFFICULTIES WITH PRESENT DOCUMENT, INCLUDING THE
LACK OF FULLY ELABORATED S&D FOR DEVELOPING COUNTRIES.
BRAZIL (MACIEL) AND INDIA (KUMAR) WERE KEY SPOKESMAN
CALLING FOR AFFIRMATION FOR EXISTING GATT RIGHT FOR
LDC'S TO SUBSIDIZE. BRAZIL STRESSED THAT RULES SHOULD
CONCENTRATE ON EFFECTS OF SUBSIDIES AND SAID THAT
BRAZIL WAS WILLING TO EXPLORE POSSIBLE COMMITMENT NOT
TO USE SUBSIDIES IN SUCH A MANNER AS TO CAUSE INJURY
OR SERIOUS PREJUDICE TO OTHER SIGNATORIES. HONG KONG,
MEXICO (GARRIDO) AND INDIA DREW ATTENTION TO THE
INDICATIVE LIST OF DOMESTIC SUBSIDIES SAYING THAT THE
SUBSIDY NET IS BEING CAST "TOO WIDE", ENCOMPASSING
CERTAIN SUBSIDY PROGRAMS IMPORTANT FOR LDC'S ECONOMIC

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DEVELOPMENT, E.G. STATE PARTICIPATION IN ECONOMIC DEVELOPMENT PROGRAMS. EGYPT, YUGOSLAVIA, TRINIDAD AND TOBAGO, ANDEAN COUNTRIES, TURKEY, NIGERIA, AND ROMANIA FAVORED FULLER ELABORATION OF S&D CONCEPTS.

6. STATE CONTROLLED ECONOMY COUNTRIES: HUNGARY (NYERGES) WAS LEADING SPOKESMAN ON QUESTION OF RULES FOR STATE CONTROLLED ECONOMY COUNTRIES. RATHER THAN DEVELOPING "DISCRIMINATORY" RULES AGAINST A GROUP OF COUNTRIES AS NYERGES IMPLIED IS ENVISAGED IN THE DOCUMENT, HE URGED THAT SPECIAL RULES BE ESTABLISHED WHEN "SPECIAL DIFFICULTIES" ARISE. FOR EXAMPLE, IF "SPECIAL DIFFICULTIES" AROSE IN TRYING TO ASCERTAIN THE EXISTENCE OR AMOUNT OF SUBSIDY, THERE MIGHT BE RECOURSE TO EMPLOYING PRICES IN A COUNTRY OF COMPARABLE ECONOMIC DEVELOPMENT WHERE THE "SPECIAL DIFFICULTIES" DID NOT ARISE. NYERGES EXPRESSED WILLINGNESS TO EXPLORE DEVELOPMENT OF POSSIBLE RULES ALONG THESE LINES. BULGARIA, ROMANIA, CZECHOSLOVAKIA AND POLAND GENERALLY SUPPORTED THE HUNGARIAN POSITION.

7. AGRICULTURE: AUSTRALIA (RYAN) INTRODUCED ITS TEXT ON AGRICULTURAL SUBSIDIES AS AN EFFORT TO DEVELOP MORE EFFECTIVE RULES ON AGRICULTURAL SUBSIDIES IN THE GATT. NEW ZEALAND SHARED THE AUSTRALIAN VIEW THAT THEY HAVE NOT BEEN ENCOURAGED TO DATE WITH PROGRESS IN DEVELOPING MORE EFFECTIVE RULES ON AGRICULTURAL SUBSIDIES.

8. FUTURE WORK: DELEGATION AGREED TO UNDERTAKE BILATERAL CONSULTATIONS TO CLARIFY OUTSTANDING ISSUES. NEXT MEETING WILL BE SET BY THE SUBGROUP CHAIRMAN IN CONSULTATIONS WITH DELEGATIONS.

9. DRAFTED BY WALLAR. CULBERT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, SUBSIDIES, NEGOTIATIONS, COUNTERVAILING DUTIES, MEETING REPORTS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA11034
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780294-0858
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780749/aaaabpdt.tel
Line Count: 264
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 34d4f071-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 10087
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1974923
Secure: OPEN
Status: NATIVE
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Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/34d4f071-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014